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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

CITY OF ROCKY MOUNT

OFFICE OF THE MAYOR

January 22, 1993

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FCC MAIL ROOM

Secretary
Federal Communications Commission
1919 M Street NW
Washington, DC 20554

RE: MM Docket No. 92-266
Cable Television Rate Regulation
Comments from the City of Rocky Mount, N. C.

TO: THE COMMISSION

In June 1991, the City of Rocky Mount issued a fourteen (14) year cable television franchise to Multimedia Cablevision. This was a renewal franchise originally granted in September 1975.

Rocky Mount is a city of 50,000 population with 12,000 subscribers in our franchise area.

We have followed with interest the Cable Television Consumer Protection and Competition Act of 1992 and the rulemaking process the Commission currently has underway.

Through 1986, basic service consisted of 12 channels for \$9.20 per month. An additional 18 channels were available on an expanded tier for a combined rate of \$12.75. In 1987, the two tiers were combined into one basic service for \$13.00 and the number of channels increased to 33. In 1988, the basic service rate increased to \$15.00. The rates since then have been as follows for the same number of channels (33):

1989	\$16.05
1990	\$17.30
1991	\$18.30
1992	\$19.30
1993	\$20.55

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We would like to offer our comments on the rate regulation rulemaking:

1. Effective Competition

We understand that the proposed rulemaking would require us as a franchising authority to make a finding, supported by documentation, that the franchisee is not subject to effective competition. We are confident that our franchise is not subject to effective competition under your proposed tests but we feel the burden of submitting information to verify this finding should fall on the cable operator, not us. We feel that an efficient way to handle this process would be to ask our cable operator to show you why they might feel they are subject to effective competition according to the tests you have proposed. If they do not respond within a prescribed time period, then you would conclude that they are not subject to effective competition without them or us having to generate documentation to support a finding that is obvious to everyone. We believe this would save time and work for all of us.

If the cable operator were to submit evidence indicating that they are subject to effective competition, we would like to have an opportunity to challenge this.

Our cable operator provides service to an area that extends beyond the corporate limits of Rocky Mount. Our franchise defines as the franchise area only that territory which is inside the corporate limits. We feel that the effective competition determination should be made separately for each franchise area rather than for each cable operator's entire service area.

We feel the process of certifying our authority and ability to regulate rates should be simple and easy to prepare without need of consultants and/or attorneys.

2. Rate Regulation Methodology

We feel the Commission should adopt the cost-of-service approach rather than the benchmark approach for rate regulation for the following reasons:

- a) As noted earlier, our cable operator serves a territory outside the City of Rocky Mount that is much less densely populated than the area served inside the City. Of 451 miles of plant on the cable operator's system, 213 miles (47%) is located inside the corporate limits of Rocky Mount. The system averages 59 subscribers per mile inside the City compared to 36 subscribers per mile outside. The cost of providing service outside Rocky Mount is greater than it is inside the City on a per subscriber basis. A cost based rate approach would enable Rocky Mount to ensure a basic service rate that is fair to subscribers inside the City.

b) As part of the franchise renewal process two years ago, our cable operator provided financial statements that indicated heavy interest payments though there was no debt attributable to the Rocky Mount franchise. The reason for this was that the cable operator's parent company allocated interest expense to each of its franchises based on the percentage of each unit's total operating cash flow. The parent company allocated income tax payments similarly, based on each unit's ability to pay.

By requiring the cable operator to analyze and allocate expenses more carefully, the cost based approach should produce a fair rate for basic service. The Commission may need to consider some standards or guidelines for recording and projecting costs and may consider requiring that this be performed by certified public accountants.

c) We feel the subscribers will object to the benchmarking approach. If, after a rate regulation proceeding, all we can say to the citizens-subscribers is "the cable operator's basic rate is fair and reasonable because it is in line with the rates charged in other areas with similar service levels and other operating characteristics," we expect the citizens-subscribers will be disappointed and disenchanted with Congress' attempt at consumer protection and will express it to us, not you or them.

If the cost based approach is adopted, we will need to have enough time to analyze the data submitted by the cable operator. We would probably want to engage professional assistance to consider the cable operator's rate request and this will take some time.

3. Itemization of Costs

We understand the Commission is considering allowing cable operators to itemize cost based charges attributable to franchise requirements. Our cable operator follows a practice of itemizing the franchise fee on the monthly bills but does not itemize any of its own services. Any subscriber who wishes to receive a breakdown of his bill must call the cable operator's office or get a current rate schedule. We feel the rule should provide that any cable operator who does itemize costs attributable to franchise fees or other franchise requirements should also be required to itemize his own services on the monthly bill.

We appreciate the opportunity to offer these comments.

Respectfully submitted,


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